



ANDRÉS
WINES LTD.

Annual Report

March 31, 1973

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Directors' Report to Shareholders

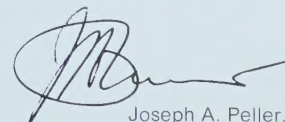
Nineteen seventy-three was a very eventful year for Andrés and was marked by substantial progress in the affairs of the Company. New records for sales and earnings were achieved and the Company's common shares were listed on the Toronto, Montreal and Vancouver Stock Exchanges.

- SALES:** Sales for the year amounting to \$13,974,549 rose by 61% over the previous year's sales of \$8,660,389. This strong growth is the result of an increasing market share in all provinces where our wines are sold. Andrés is now the market leader in several provinces; in Ontario, after 3 years of operations, we are amongst the 3 market leaders.
- EARNINGS:** Net earnings of \$2,065,556 were 97% higher than the corresponding figure of \$1,050,030 in 1972. This represented a profit of 14.8¢ on the sales dollar in 1973 compared to 12.1¢ in 1972. Fully diluted earnings per common share advanced to \$1.93 in 1973 from \$1.03 in 1972 while basic earnings per common share advanced to \$2.53 from \$1.48. Income taxes have been provided at current rates without recognizing the proposed reductions to be effective January 1, 1973.
- DIVIDENDS AND RETAINED EARNINGS:** Semi-annual dividends totalling 60¢ per share for the year were declared on the outstanding Preferred shares. Dividends for the year amounted to \$19,989. The balance of net earnings, \$2,045,567 was retained in the business resulting in Retained Earnings being increased to \$3,872,683.
- FINANCIAL:** Working Capital increased by \$1,001,535 during the year. This was after Capital Expenditures of \$1,446,031, the major portion of which was spent on our plant in Winona for new buildings, cooperage and equipment. Capital commitments for the current year as of today are in excess of \$1,300,000.
- OTHER HIGHLIGHTS OF THE YEAR:** While sales increases occurred primarily in our established brands of still and sparkling table wines, a recent introduction, Andrés Baby Duck became the largest selling wine in Canada.
- The continuing Andrés commitment to produce the finest Canadian wines has led to a new family of premium table wines. These wines, produced after years of intensive research and developmental work are the first Canadian wines to be packaged in natural cork finished bottles. The first of these to reach the market, "Similkameen Superior", a dry red wine pressed from French hybrid grapes grown in the Similkameen Valley of British Columbia has had an enthusiastic reception. The premium dry white and rosé wines of the family will follow shortly.
- During the year, Andrés Wines won a gold, six silver and two bronze medals in international wine competitions: further recognition of our efforts to produce Canada's finest wines.
- A reception marking the official opening of our new buildings and facilities at our plant in Winona was held at the winery on April 26, 1973. Our guest of honour at the reception was the Hon. W. G. Davis, Premier of Ontario, who formally opened the new buildings most appropriately by breaking a bottle of Andrés Richelieu Champagne on the foundation. The Company was honoured to receive the many friends from government, business and industry.
- OUTLOOK:** The growth rate of wine sales in Canada has been in excess of 11% over the past several years and we would expect this growth rate to continue. In addition, we expect that recent substantial increases in prices of imported wines will favour an increasing market share for Canadian produced wines. We expect that our growth rate in sales and profitability will continue to grow above the industry average.

It is with the deepest regret that the Directors record the loss by death in April, 1973 of Mr. T. Peter N. Jaffray. The wise counsel and financial expertise he brought to the Board will be missed as much as the warmth of his personal association with the officers and directors.

The achievements of our Company this year reflect the skill and continuing dedication of our employees: their efforts as well as the support of our shareholders, customers and business associates are acknowledged with sincere thanks.

On Behalf of the Board



Joseph A. Peller, *President*

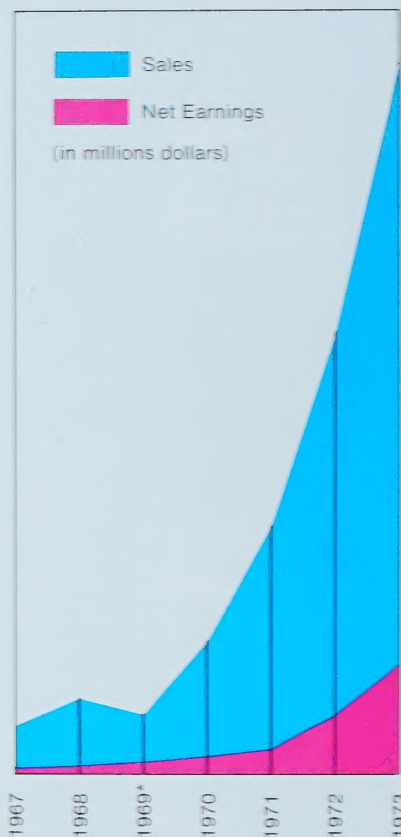
June 1, 1973



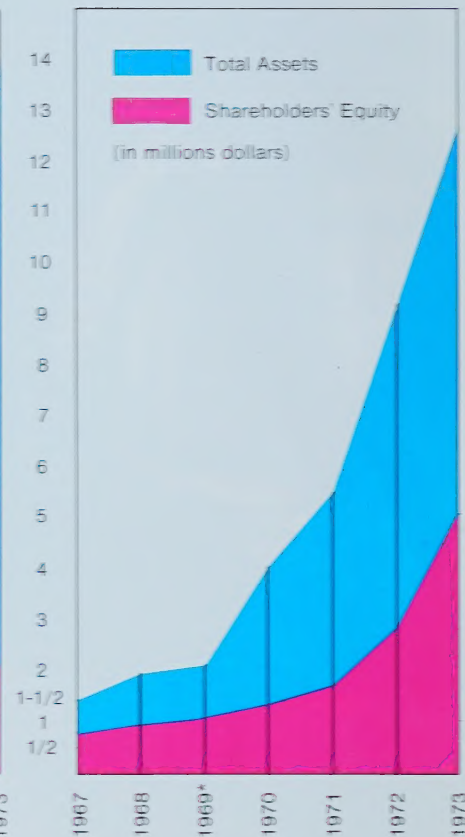
The Year in Review

(in thousands of dollars)

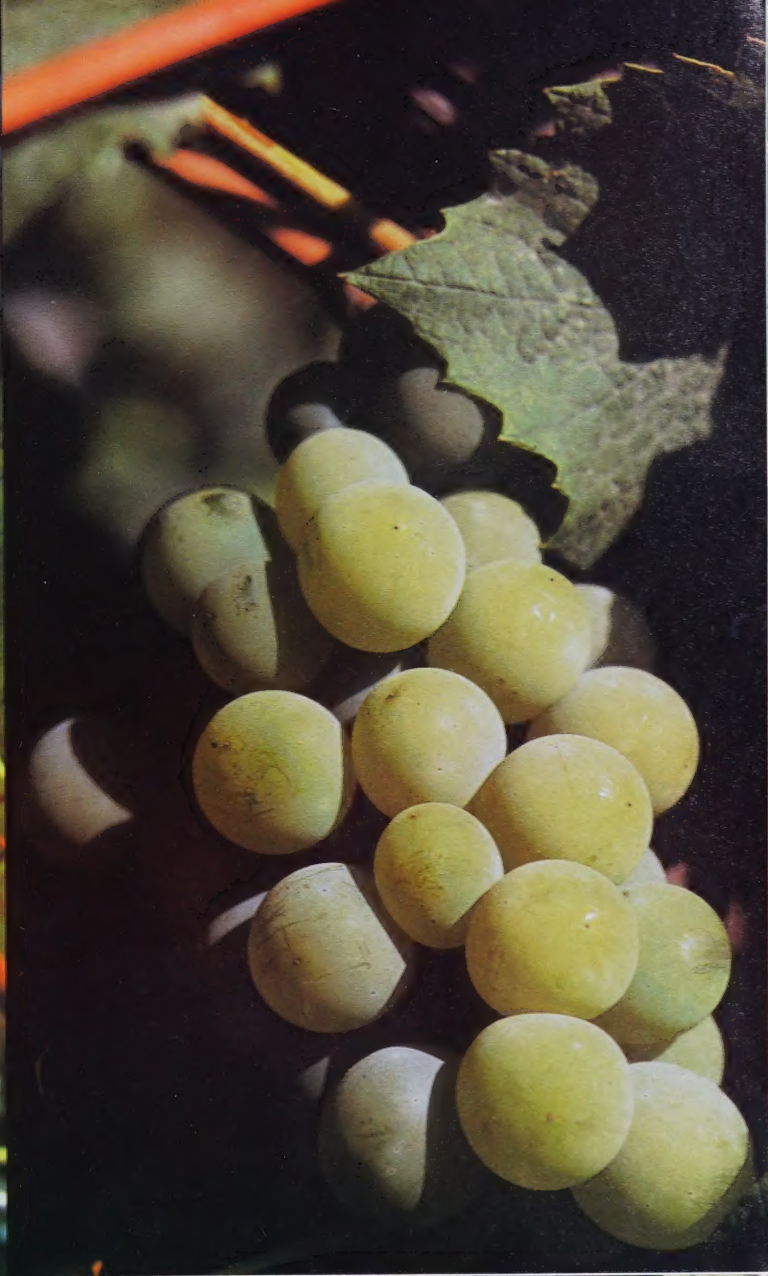
	1973	1972	Percentage Increase
Sales.....	13,975	8,660	61.4
Depreciation....	356	283	25.8
Income Taxes...	1,957	1,023	91.3
Net Earnings....	2,066	1,050	96.8
Net Earnings per share			
(in dollars)			
— Basic....	2.53	1.48	70.9
— Fully Diluted...	1.93	1.03	87.4
Total Assets....	12,626	9,217	37.0
Shareholders' Equity.....	5,009	2,795	79.2



*Represents seven months only



*Represents seven months only



Consolidated Statement of Earnings

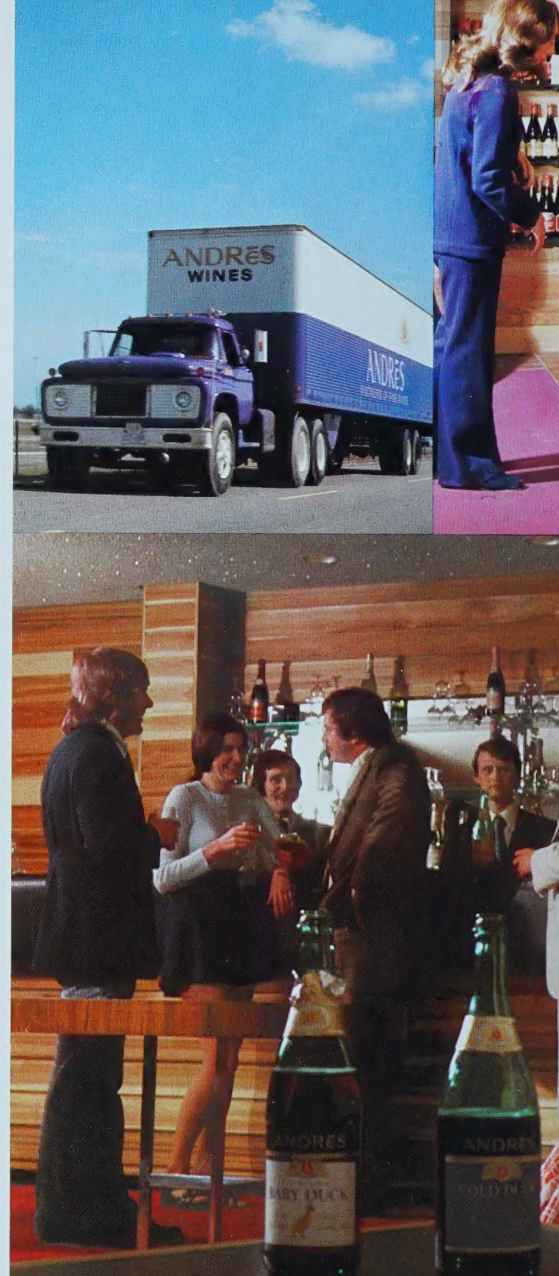
For the Year Ended March 31, 1973

	1973 \$	1972 \$
SALES	13,974,549	8,660,389
COSTS AND EXPENSES		
Manufacturing, selling and administration	9,244,303	5,993,815
Depreciation	355,995	283,204
Interest on long-term debt	233,211	209,375
Amortization of deferred charges and other assets ..	30,407	30,407
	<u>9,863,916</u>	<u>6,516,801</u>
	4,110,633	2,143,588
PROVISION FOR INCOME TAXES		
Current	1,740,428	922,400
Deferred	216,314	100,191
	<u>1,956,742</u>	<u>1,022,591</u>
	2,153,891	1,120,997
MINORITY INTEREST IN NET EARNINGS OF SUBSIDIARY COMPANIES	<u>88,335</u>	<u>70,967</u>
NET EARNINGS FOR THE YEAR	<u>2,065,556</u>	<u>1,050,030</u>
EARNINGS PER COMMON SHARE (Note 6)		
Basic	<u>\$2.53</u>	<u>\$1.48</u>
Fully diluted	<u>\$1.93</u>	<u>\$1.03</u>

Consolidated Statement of Retained Earnings

For the Year Ended March 31, 1973

	1973 \$	1972 \$
BALANCE — BEGINNING OF YEAR	1,827,116	854,967
Net earnings for the year	<u>2,065,556</u>	<u>1,050,030</u>
	3,892,672	1,904,997
Dividends on preferred shares	<u>19,989</u>	<u>77,881</u>
BALANCE — END OF YEAR	<u>3,872,683</u>	<u>1,827,116</u>





Consolidated Statement of Source and Use of Working Capital

For the Year Ended March 31, 1973

	<u>1973</u> \$	<u>1972</u> \$
SOURCE OF WORKING CAPITAL		
Net earnings for the year	2,065,556	1,050,030
Items not affecting working capital —		
Depreciation	355,995	283,204
Amortization of deferred charges and other assets	30,407	30,407
Deferred income taxes	216,314	100,191
Minority interest in net earnings of subsidiary companies	88,335	70,967
Provided from operations	2,756,607	1,534,799
Proceeds on exercise of common share options	168,805	183,995
Increase in long-term debt	—	638,478
	<u>2,925,412</u>	<u>2,357,272</u>
USE OF WORKING CAPITAL		
Additions to fixed assets	1,446,031	1,652,086
Decrease in long-term debt	455,760	—
Dividends on preferred shares	22,299	83,714
Increase (decrease) in agreement receivable	(213)	1,146
	<u>1,923,877</u>	<u>1,736,946</u>
 INCREASE IN WORKING CAPITAL	 1,001,535	 620,326
WORKING CAPITAL — BEGINNING OF YEAR	<u>2,063,324</u>	<u>1,442,998</u>
WORKING CAPITAL — END OF YEAR	<u>3,064,859</u>	<u>2,063,324</u>

Clockwise from upper left: one of our "Kings of the Road"; an Andres Wines Store in Toronto; the new hospitality suite, part of our expanded facilities in Winona.

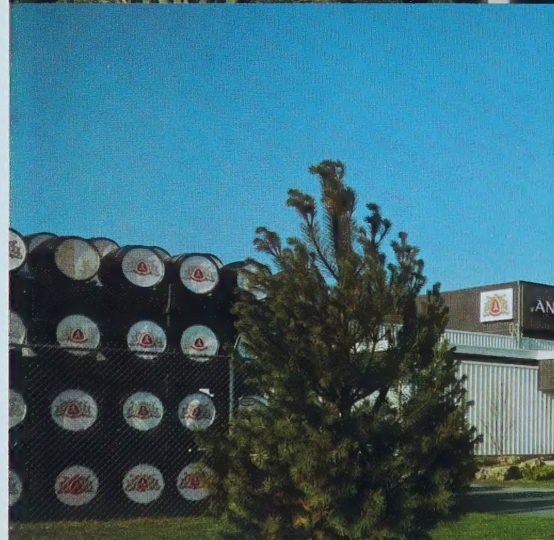




Consolidated Balance Sheet as at March 31, 1973

Assets

	<u>1973</u> \$	<u>1972</u> \$
CURRENT ASSETS		
Accounts receivable	1,615,346	1,570,594
Inventories of wine and supplies — at the lower of cost or net realizable value	5,858,510	3,698,387
Prepaid expenses	<u>206,274</u>	<u>61,161</u>
	<u>7,680,130</u>	<u>5,330,142</u>
7% AGREEMENT RECEIVABLE ON SALE OF LAND — Due September 1, 1984	<u>32,456</u>	<u>32,669</u>
FIXED ASSETS		
Land, buildings and machinery and equipment — at cost less accumulated depreciation (Note 2)	4,781,029	3,683,711
Leasehold improvements — at cost less amortization	<u>48,866</u>	<u>56,147</u>
	<u>4,829,895</u>	<u>3,739,858</u>
OTHER ASSETS — at cost less amortization		
Preproduction and other deferred charges	37,059	54,976
Financing expenses	17,800	22,871
Organization expenses	<u>28,750</u>	<u>36,170</u>
	<u>83,609</u>	<u>114,017</u>
Signed on behalf of the board:		
J. A. Peller, Director		
B. R. James, Director		
	<u>12,626,090</u>	<u>9,216,686</u>





Liabilities

	<u>1973</u> \$	<u>1972</u> \$
CURRENT LIABILITIES		
Bank advances (Note 3)	2,330,246	1,558,145
Accounts payable and accrued liabilities	687,901	555,838
Income and other taxes payable	1,109,424	845,135
Current portion of long-term debt	<u>487,700</u>	<u>307,700</u>
	4,615,271	3,266,818
LONG-TERM DEBT (Note 4)	2,160,936	2,616,696
DEFERRED INCOME TAXES	342,821	126,507
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY COMPANIES (including \$340,015 applicable to preferred shares)	<u>497,777</u>	<u>411,752</u>
	<u>7,616,805</u>	<u>6,421,773</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized		
250,000 Preferred shares of the par value of \$10 each, issuable in series, of which 125,000 are designated as Series A 6% cumulative preferred shares, redeemable at a 6% premium		
3,000,000 Common shares without par value		
Issued and fully paid		
33,315 Series A preferred shares	333,150	333,150
831,681 Common shares (1972 — 762,781 common shares) (Note 5)	<u>803,452</u>	<u>634,647</u>
	1,136,602	967,797
RETAINED EARNINGS	<u>3,872,683</u>	<u>1,827,116</u>
	5,009,285	2,794,913
	<u>12,626,090</u>	<u>9,216,686</u>

*Clockwise from upper left: Andrés Wines, Alberta; Andrés Wines,
Nova Scotia; The Board of Directors; Andrés Wines, Winona,
Andrés Wines, British Columbia*

Notes to Consolidated Financial Statements

For the Year Ended March 31, 1973

1. PRINCIPLES OF CONSOLIDATION

These financial statements include the accounts of Andrés Wines Ltd. and its subsidiaries, Andrés Wines (B.C.) Ltd., Andrés Wines (Alberta) Ltd. and Abbey Wines Limited. Subsequent to the year end, Abbey Wines Limited changed its name to Andrés Wines Atlantic Ltd.

2. FIXED ASSETS AND CAPITAL COMMITMENTS

Land, buildings and machinery and equipment and related accumulated depreciation are classified as follows:

	1973			1972
	Cost \$	Accumulated Depreciation \$	Net \$	Net \$
Land.....	217,513	—	217,513	217,513
Buildings.....	2,291,757	173,797	2,117,960	1,377,074
Machinery and equipment.....	3,488,078	1,042,522	2,445,556	2,089,124
	<u>5,997,348</u>	<u>1,216,319</u>	<u>4,781,029</u>	<u>3,683,711</u>

Capital commitments amounted to approximately \$1,165,000 as at March 31, 1973.

3. SECURITY FOR BANK ADVANCES

A specific and floating charge debenture on all assets of the company and its subsidiaries, ranking after the claims of other secured creditors, as shown in Note 4, has been given as collateral security for the bank advances.

4. LONG-TERM DEBT

The long-term debt consists of the following:

	1973 \$	1972 \$
7-3/4% bank debenture, repayable \$180,000 annually plus interest.....	690,000	870,000
9% first mortgage bonds, Series A, repayable in quarterly instalments of \$6,300 plus interest.....	189,000	214,200
10% debenture due May 15, 1980 with interest payable semi-annually.....	75,000	75,000
11-1/4% mortgage bonds repayable in quarterly instalments of \$21,250 plus interest.....	616,250	701,250
Agreement to purchase repayable in semi-annual instalments of \$90,000 plus interest at prime bank rate plus one-half of 1% commencing on June 30, 1973.....	1,004,099	972,159
9-1/4% serial debenture repayable in quarterly instalments of \$2,875 plus interest.....	37,375	48,875
7% first mortgage repayable in semi-annual instalments of \$1,000 plus interest, due May 31, 1973.....	20,912	22,912
9% second mortgage repayable in annual instalments of \$4,000 plus interest commencing May 3, 1972.....	16,000	20,000
	<u>2,648,636</u>	<u>2,924,396</u>
Less: Current portion.....	487,700	307,700
	<u>2,160,936</u>	<u>2,616,696</u>

Seven Year Summary

	1973	1972	1971	1970	(Seven Months) 1969	1968	1967
INCOME STATISTICS (in thousands dollars)							
Sales	13,975	8,660	4,832	2,592	1,129	1,358	983
Income Taxes	1,957	1,023	461	200	75	53	7
Net Earnings before Minority Interest	2,154	1,121	452	296	105	89	55
Net Earnings	2,066	1,050	413	250	105	113	54
Net Earnings Per Common Share							
— Basic	\$2.53	\$1.48	\$.572	\$.335	\$.123	\$.136	\$.052
— Fully Diluted	\$1.93	\$1.03	—	—	—	—	—
BALANCE SHEET STATISTICS (in thousands dollars)							
Working Capital (deficiency) . . .	3,065	2,063	1,443	1,544	428	402	(11)
Fixed Assets (net)	4,830	3,740	2,371	1,747	1,009	956	682
Long-Term Debt	2,161	2,617	1,978	1,961	412	441	87
Minority Interests	498	412	347	267	222	236	54
Shareholders' Equity	5,009	2,795	1,639	1,248	1,009	941	815
Total Assets	12,626	9,217	5,489	4,078	2,113	1,893	1,422
NUMBER OF SHARES OUTSTANDING							
Preferred Shares — Series A . . .	33,315	33,315	33,315	33,315	33,211	33,155	32,433
Common	831,681	762,781	687,681	687,681	686,401	677,277	669,942

Note: The year end was changed from August 31st to March 31st in 1969.

DIRECTORS

E. S. Arnold, Grimsby, Ontario
 J. A. Boychuck, Burlington, Ontario
 G. R. Dawson, Vancouver, B.C.
 T. P. N. Jaffray, Toronto, Ontario
 B. R. James, Ancaster, Ontario
 R. H. Jenkins, Calgary, Alberta
 C. O. Nickle, Calgary, Alberta
 C. Norwood, Halifax, Nova Scotia
 A. Peller, Ancaster, Ontario
 J. A. Peller, M.D., F.R.C.P.(C),
 Ancaster, Ontario
 G. W. Snelgrove, Burlington, Ontario
 W. J. Walsh, M.D., F.R.C.P.(C),
 Hamilton, Ontario

REGISTRAR AND TRANSFER AGENT

The Canada Trust Company,
 Montreal, Toronto, Calgary and Vancouver

AUDITORS

McDonald, Currie & Co.

OFFICERS

A. Peller, *Chairman of the Board*
 J. A. Peller, *President*
 E. S. Arnold, *Vice-President Operations*
 J. A. Boychuck, *Vice-President Marketing*
 N. D. Smith, *Vice-President Finance*
 and *Secretary*

BANKER

The Royal Bank of Canada

HEAD OFFICE

Winona, Ontario

PLANT LOCATIONS

(including subsidiaries)
 Port Moody, British Columbia
 Calgary, Alberta
 Winona, Ontario
 Truro, Nova Scotia







ANDRÉS
WINES LTD.

Report to Shareholders

For the six month period
ended September 30, 1973

VINTNERS OF FINE WINES

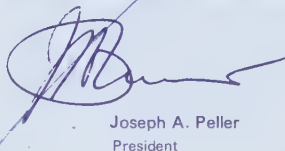
ANDRÉS WINES LTD. and Subsidiary Companies

TO THE SHAREHOLDERS:

Net sales for the six months ended September 30, 1973 were \$6,993,272 compared with \$6,548,770 for the same period last year. This increase in sales of 6.8% compares favourably with the increase of less than 1% for the sale of all Canadian produced wines.

Net earnings for the period were \$1,001,558 compared with \$1,016,296 for the same period last year. Fully diluted earnings per common share for the current period were 94¢ compared with 95¢ for the same period last year.

We expect the Company will continue to increase its market share in our established markets. In addition, expansion into new market areas is under active consideration.



Joseph A. Peller
President

Winona, Ontario.
November 20, 1973

CONSOLIDATED STATEMENT OF EARNINGS (unaudited) FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 1973

	SEPTEMBER 30 1973	SEPTEMBER 30 1972
	\$	\$
SALES	6,993,272	6,548,770
COST AND EXPENSES		
Manufacturing, Selling and Administration	4,860,084	4,141,599
Depreciation	250,507	142,741
Interest on Long-Term Debt	110,743	119,714
Amortization of Deferred Charges	12,906	15,180
	5,234,240	4,419,234
	1,759,032	2,129,536
PROVISION FOR INCOME TAXES	697,242	1,064,768
	1,061,790	1,064,768
MINORITY INTEREST IN NET EARNINGS OF SUBSIDIARY COMPANIES	60,232	48,472
NET EARNINGS FOR THE PERIOD	1,001,558	1,016,296
EARNINGS PER COMMON SHARE		
Basic	1.095	1.286
Fully Diluted944	.951



ANDRÉS WINES LTD.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual Meeting of Shareholders of the above Company will be held at the offices of the Company, Kelson Ave. and Queen Elizabeth Hwy., Winona, Ontario on the 10th day of July, 1973 at the hour of 3:00 o'clock in the afternoon for the purpose of:

1. Receiving and considering the Financial Statements, Auditors' Report, and Directors' Report for the year ended March 31, 1973.
2. Election of Directors.
3. Appointment of Auditors.
4. Such other business as may properly come before this meeting.

If you are unable to attend the meeting, kindly sign and return the enclosed proxy, using the business reply envelope provided for this purpose.

By Order of the Board,

Newman D. Smith,
Secretary.

Winona, Ontario, June 1, 1973

INFORMATION CIRCULAR

For the year ended March 31, 1973

Solicitation of Proxies

This information circular is furnished in connection with the solicitation by the management of Andrés Wines Ltd. (the Company) of proxies to be used at the Annual meeting of shareholders of the company to be held at the time and place and for the purposes set forth in the enclosed notice of meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Company at nominal cost. The cost of solicitation by management will be borne by the company.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are directors of the Company. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING MAY DO SO by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Company.

A shareholder giving a proxy may revoke the proxy by instrument in writing executed by the shareholder or by his attorney authorized in writing, or, if the shareholder is a corporation, its corporate seal or by an officer or attorney thereof duly authorized and deposited either at the Head Office of the Company at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof, at which the proxy is to be used or with the chairman of such meeting on the day of the meeting or adjournment thereof.

Exercise of Discretion by Proxies

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. IN THE ABSENCE OF SUCH DIRECTION, SUCH SHARES WILL BE VOTED FOR the approval of the directors' report and financial statements, the election of directors and the appointment of auditors as stated under those headings in this circular. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting and with respect to all other matters which may properly come before the meeting. At the time of printing this circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

Voting Shares and Principal Holder thereof

On June 1, 1973, the Company had outstanding 936,515 common shares without nominal or par value, each carrying the right to one vote per share. Holders of common shares of record at least 48 hours before the time set for the meeting or any adjournment thereof will be entitled to vote at the meeting.

To the knowledge of the directors or senior officers of the company, Joseph A. Peller, the President of the Company owns beneficially, directly and indirectly 504,464 common shares of the company representing 53.9 percent of the outstanding common shares of the company. Of the said 504,964 common shares owned beneficially by Joseph A. Peller, 305,250 common shares of the company representing 32.6 percent of the outstanding common shares of the company, are owned by Jalger Ltd. Joseph A. Peller owns 71 percent of the outstanding shares of Jalger Ltd.

Election of Directors

The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below. With the exception of R. E. Sobier all the nominees are now members of the board of directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next annual meeting of shareholders of the company following this Annual Meeting or until his successor is duly elected, unless his office is earlier vacated in accordance with the By-laws.

The following table and the notes thereto state the names of all the persons proposed to be nominated for election as directors, all other positions and offices with the Company now held by them, their principal occupations or employments, the year in which they became directors of the Company, and the approximate number of shares of each class of the Company beneficially owned directly or indirectly by each of them, as of June 1, 1973.

Name	Principal Occupation	Director Since	Approximate Number of Common Shares Owned as at June 1, 1973.
E. S. Arnold	Vice-President Operations Andrés Wines Ltd.	1969	11,355
J. A. Boychuck	Vice-President Marketing Andrés Wines Ltd.	1970	15,333
G. R. Dawson	President Dawson Construction Limited	1966	7,860
B. R. James	Assistant Vice-President of Administration McMaster University	1966	1
R. H. Jenkins	President Burritt Travel Services Ltd.	1967	3,433
C. O. Nickle	President Conventures Limited	1967	1,000
C. Norwood	President Canada Dry Bottling (Maritimes) Ltd.	1968	200
Andrew Peller	Chairman of the Board Andrés Wines Ltd.	1966	32,760
Joseph A. Peller (1)	President Andrés Wines Ltd.	1966	504,464
G. W. Snelgrove	President Snelgrove Nu-Drive Ltd.	1966	39,201
Dr. W. J. Walsh	Associate Dean of Medicine McMaster University	1966	4,250
R. E. Sobier	For more than the past five years lawyer for McCarthy & McCarthy	—	—

(1) *References to the heading Voting Shares and Principal holders thereof with respect to the shares owned by Joseph A. Peller and his associates.*

Remuneration of Directors and Officers

- During the fiscal year ended March 31, 1973, the aggregate remuneration paid or payable by the Company.
 - to the directors of the Company as directors was \$15,900.
 - to the officers of the Company as officers was \$180,021.

No remuneration was paid or payable to any such directors or officers by any subsidiaries of the Company.
- Estimated aggregate cost to the Company and its subsidiaries during the last fiscal year of all pension benefits proposed to be paid to the directors and officers of the Company under existing pension plans in the event of their retirement at normal retirement age was \$10,660.

Stock Option Plan

Since April 1, 1972, directors, senior officers or employees of the company have purchased the following common shares of the company pursuant to options previously granted.

Date of Purchase	Number of Shares Purchased	Purchase Price Per Share	Price Range During Preceding 30 Days
November 2, 1972	200	2.45	25 — 28-3/8
November 18, 1972	13,300	2.45	25 — 33-5/8
January 11, 1973	400	2.45	38 — 42-1/2
May 25, 1973	101,000	2.45 — 3.00	29-1/2 — 38

Appointment of Auditors

The persons named in the enclosed form of proxy intend to vote for the reappointment of Messrs. Coopers & Lybrand (formerly practicing under the name of Messrs. McDonald, Currie & Co.), Chartered Accountants, Hamilton, Ontario as auditors of the Company, to hold office until the next Annual Meeting of Shareholders. Messrs. Coopers & Lybrand have been auditors of the Company since April 7, 1965.

General

Information contained herein is given as of June 1, 1973. The Management knows of no matters to come before the annual meeting of shareholders other than the matters referred to in the notice of meeting. If any matters which are not now known should properly come before the meeting, the accompanying proxy instrument will be voted on such matters in accordance with the best judgment of the person voting it.

By order of the Board of Directors

Newman D. Smith,
Secretary

Winona, Ontario this 1st day of June, 1973.